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SIPDIS

SENSITIVE

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SUBJECT: TURKEY: BP SAYS TNK-BP LOOKING AT BULGARIA-GREECE  
PIPELINE

REF: ANKARA 566

1. (SBU) SUMMARY: According to Turkey's BP rep, TNK-BP and other Russian companies are taking a serious look at the proposed Burgas-Alexandropolos Bosphorus bypass oil pipeline. The company is concerned that Turkey might misunderstand BP's role, which was the result of heavy pressure on TNK-BP from the Russian Government, but the company has made no firm decisions at this point. Given Russian companies' key role in potential bypass solutions, this is a positive step, but Turkey may be sensitive to perceived threats to competing projects on its own soil. End Summary.

2. (SBU) In a February 4 meeting with EconCounselor and Energy Officer, BP Istanbul Manager Mike Bilbo said that TNK-BP was taking a serious look at the Burgas-Alexandropolos (Bulgaria to Greece and the Aegean Sea) Bosphorus bypass oil pipeline project. Bilbo said that the Russian Ministry of Energy had "convoked" TNK-BP to host a planning meeting on January 27 with representatives from Transneft, Lukoil, Rozneft, and Gazprom. Bilbo said that the MOE had "assigned" TNK-BP the role of executing the technical/economic feasibility study for the potential project. Concerned that Turkey might misunderstand BP's role, Bilbo had come Ankara to explain to GOT officials that TNK-BP was therefore taking a serious look at the project, albeit via this unusual Russian heavy hand. He stressed that there was not commitment or firm decisions at this point. According to Bilbo, the participating Russian companies showed serious interest. He believed that Transneft no longer supported the trans-Trace project through Turkey, whose egress would not be far away in the Aegean Sea (and which "copy-cat'ed" the route of the Thrace Development Company proposed pipeline.)

3. (SBU) Bilbo shared the TNK-BP notes from the meeting and copies of the Memorandum of cooperation (November 2004) and the preliminary Protocol signed by the Bulgarian, Greek, and Russian Governments. Copies of these will be provided separately to the Department.

4. (SBU) The BP rep also confirmed that the Turkish portion of the Baku-Tblisi-Ceyhan oil pipeline (BTC) would be finished third quarter 2005. He noted that BP and GOT were arguing about who would cover \$200-300 million of cost over-runs. Bilbo expected that they would find an arrangement that would avoid invoking the Turkish Treasury guarantee; i.e., BP would likely fund the cost overruns.

5. (SBU) COMMENT: Russia has always been identified as the key to a Bosphorus bypass solution, as Russian companies control a large portion of oil currently shipping through the Bosphorus, but it is too early to name a winner. Both Turkey's "Voluntary Principles" and the proposed projects solely transiting its territory could be overtaken by reality on the ground. But the waters in the straits remain murky and the fat lady hasn't yet sung in the Bosphorus bypass "great game." End Comment.  
EDELMAN